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KENYA POSTS AND TELECOMMUNICATIONS CORPORATION



**REPORT OF
THE AUDITOR – GENERAL
(CORPORATIONS)
ON THE ACCOUNTS
FOR THE YEAR ENDED
30TH JUNE 1995**



REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS
OF KENYA POSTS AND TELECOMMUNICATIONS CORPORATION FOR THE
YEAR ENDED 30TH JUNE 1995

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS
OF KENYA POSTS AND TELECOMMUNICATIONS CORPORATION FOR THE
YEAR ENDED 30TH JUNE 1995

I have examined the accounts of Kenya Posts and Telecommunications Corporation for the year ended 30th June 1995 in accordance with Section 29 (2) of the Exchequer and Audit Act, (Cap 412). Proper books of account were maintained by the Corporation and the accounts which have been prepared under the historical cost convention as modified by the valuation of certain fixed assets are in agreement therewith and comply with the Kenya Posts and Telecommunications Corporation Act, (Cap 411).

Except for the reservations set out herebelow, in my opinion, the accounts when read together with the notes thereon, present a true and fair view of the Corporation's financial position as at 30th June, 1995 and of its surplus and sources and application of funds for the year then ended.

1.0 ACCURACY OF THE ACCOUNTS

1.1 In Paragraph 1.0 of the report on the accounts for the previous year, reference was made to matters which could have been resolved and to figures in the accounts which could have been amended if all the necessary information that had been sought from the Corporation as per the two management letters issued in February 1995 and June 1995 had been received. As the Corporation has not satisfactorily dealt with the observations contained in these two letters, the accuracy of the accounts for the year under review is affected to the extent to which these issues have remained outstanding.

1.2 The examination of the accounts for the year under review still revealed numerous errors and issues which have affected the accuracy of the accounts both in terms of its operational results and its financial position as at 30th June, 1995.

The attention of the Corporation was brought to these numerous errors and issues in the management letters issued in January, 1996, May 1996 and September 1996. As in the previous year, the Corporation has not satisfactorily responded to these management letters. Under the circumstances, I am still unable to ascertain the correctness of the net surplus figure after tax of Kshs.764,885,850 reflected in the Operating and Net Revenue Account for the year under review and of the other figures reflected in the Balance Sheet as at 30th June, 1995. Further, the Corporation has not carried out satisfactorily reconciliation of some of the major accounts such as debtors, creditors, banks as well as fixed assets, an omission which had a major effect on the accuracy of these accounts.

2.0 PURCHASE OF TWO PLOTS OF LAND L.R.NO.12445 AND L.R.12550
AT KAREN

2.1.0 In Paragraph 2.1 of the report on the accounts for the year ended 30th June, 1994, reference was made to the purchase of two plots of land at Karen, L.R.No.12445 and L.R.No.12550, by the Corporation. It was also indicated in the same paragraph

that the Corporation had spent Kshs.62,765,141 between November 1991 and December 1992 in order to acquire these two plots of land. Further, I referred to the fact that these plots could not be registered in the Corporation's name because they were not free of encumbrances as stated in the sale agreement entered into by the two parties.

2.1.1 Available information indicates that the vendor is unable to transfer the plots of land to the Corporation purportedly because they were sold to someone else. Consequently the Corporation is understood to be pursuing the recovery of the amount of Kshs.62,764,141 plus interest accrued thereon from the vendor.

In my opinion, the Corporation's lawyer who was also the vendor's lawyer appears not to have protected the Corporation's interest in the sale transaction as the Corporation is not likely to acquire the said plots even after having paid such substantial amount of money. Further, the Corporation has not advised me as to whether it will recover legal fees with interest paid to this lawyer as his legal advise was clearly compromised by his personal interest in the sale.

2.2 In Paragraph 2.3.1.2 of the report on the accounts for the previous year, I referred to the professional fees totalling Kshs.118,258,495 spent on the two plots of land at Karen between February 1993 and April 1994. It was also indicated in the Paragraph that the amounts were paid to various professional firms and a former Chief Architect of the Corporation who had been appointed the Project Cordinator/Consultant. I further indicated that these professional fees were in respect of professional services rendered by the professionals to the Corporation on the two plots in which the African Regional Advance Level Training Institute was to be constructed. As the sale of the two plots of land had not materialised as indicated in paragraphs 2.1.0 and 2.1.1, above, it would appear that the Corporation had merely used the sale agreement to facilitate the expenditure of Kshs.118,258,495. The total expenditure of Kshs.118,258,495 is therefore nugatory and the work in progress is overstated to the extent of this figure.

3.0 PURCHASE OF HOUSING ESTATE ON PLOT No.188/SEC 1, MOMBASA MAINLAND NORTH

3.1.0 In Paragraph 12 of the report on the accounts for the year ended 30th June, 1993, reference was made to a sale agreement entered into in July 1988 between the Corporation and the vendor for the purchase of a housing estate on an 8.2 acre plot with 176 units of flats under construction at a cost of Kshs.74,360,000. According to the sale agreement, the vendor was supposed to complete the estate by December, 1990. Reference was also made in the report to the fact that it was not possible to ascertain how the vendor was indentified and how the sale price of Kshs.74,360,000 was arrived at as the Corporation had not produced for audit verification the valuation report of the estate. I further referred to the payment of Kshs.48,528,232 made to the vendor by November 1991 in respect of 88 completed flats and added that the said flats had not been handed over to the Corporation for occupation as at June 1994.

3.1.1 A review of the position during the year under review revealed that the 88 flats on a three acre plot were occupied as the Corporation had decided to pay for water installation in the estate. However, the manner in which the contract for the water installation was handled was not satisfactory. It was observed that quotations for the installation of water were received from six firms and their documents were scrutinised on 16th June, 1994 by the tender committee and the committee, on the same date, recommended the award to the lowest quotation of Kshs.9,117,588. However, later, the vendor of the houses was requested to submit his quotation. The quotation from the vendor for Kshs.7,564,792 was received on 5th August,1994 but for unknown reasons the tender was awarded at Kshs.10,061,173 to the vendor. The Corporation was on 16th September, 1994 noted to have informed the vendor of the award of the contract.

3.1.2 The vendor was on 16th August, 1995 noted to have been paid three amounts totalling Kshs.5,243,539 for the work done as per Paragraph 3.1.1. above.

The total expenditure on the project as in August 1994 was, therefore, Kshs.53,771,771 made up of Kshs.48,528,232 paid as per Paragraph 3.1.0 and Kshs.5,243,539 paid on 16th August, 1995.

3.2 According to the sale agreement the vendor should have handed over to the Corporation the completed flats which were habitable. However, as the Corporation has, as indicated in Paragraph 3.1.1, taken upon itself to have these flats completed and habitable, the State Corporation has spent additional expenditure of Kshs.10,061,173 which it would otherwise not have incurred had the terms in the sale agreement been strictly complied with. Further, the Corporation has not justified why it awarded to the vendor the contract at Kshs.10,061,173 instead of the amount he quoted of Kshs.7,564,742 or that of the lowest tenderer of Kshs.9,117,588 which had been recommended by the tender committee. In addition, the Corporation has not explained whether the vendor has agreed to have the 5.2 acre plot of the undeveloped land sub-divided and whether the remaining land so subdivided has been sold to the Corporation's staff as per the original agreement.

4.0 OFFICIAL VEHICLE FOR THE CHIEF EXECUTIVE

On 22 February, 1995, the Corporation purchased for its Chief Executive a Mercedes Benz Car, KAE 267J at a cost of Kshs.6,000,000. The vehicle was registered in the joint names of the Corporation and that of the Chief Executive even though the vehicle did not in any way belong to the Chief Executive. When the Chief Executive ceased to be an official of the Corporation in August 1995, he did not surrender the vehicle to the Corporation. It was not possible to ascertain what prompted the Corporation to allow its former Chief Executive to convert the Corporation's vehicle to his personal property.

5.0 IRREGULAR DISPOSAL OF CORPORATION PLOTS

During the year under review, an officer of the Corporation surrendered to the Commissioner of Lands fourteen plots belonging to the corporation without the approval of the Board

of Directors. Evidence available indicates that the Corporation's officer, in the same letter surrendering the plots and the buildings thereon to the Commissioner of Lands, indicated the likely allottees of these plots. I have been advised that the Management has made some efforts to have the ownership of the plots revert back to the Corporation. However, until the revocation is complete the surrender remains irregular. Further, the fraudulently surrendered plots and buildings values are still included in the value of land and buildings shown in the Balance Sheet.

6.0 STOCKS

The Balance Sheet Stocks figure of Kshs.7,238,271,900 includes Kshs.6,539,865,760 in respect of capital projects planned works as indicated in Note 5.3.1. to the accounts. According to Kenyan Accounting Standard 17, capital projects planned works should have been included in the Balance Sheet Fixed Assets as an item of capital works in progress. Although this observation has been brought to the attention of the Corporation in the reports on the accounts of the previous years, it has not taken corrective action. Had such a correct action been taken by the Corporation, the Balance Sheet would have reflected a stock figure of Kshs.743,406,140 and the negative working capital figure would have gone up by the above figure of Kshs.6,539,865,760.

7.0 OTHER DEBTORS

7.1.1 The Balance Sheet Other Debtors figure of Kshs.2,534,935,300 includes Kshs.977,780,750 made up of staff advances, Hire purchase, car purchase and other items whose analyses were not produced for audit. According to the computer print outs, the amounts shown against the items totalled Kshs.716,184,294. There was, therefore, a difference of Kshs.248,754,976 resulting from the two amounts which the Corporation had not explained.

7.1.2 The figure of Kshs.2,534,935,300 also includes amounts totalling Kshs.372,306,709 in respect of 7 items for which analyses were not produced for the audit verification, and therefore their correctness could not be vouched.

7.1.3 Arising from the foregoing, it was not possible to confirm the correctness of the Balance Sheet Other Debtors figure of Kshs.2,534,935,300.

8.0 CASH AND BANK/OVERDRAFT

8.1.1 The Balance Sheet Cash and Bank figure of Kshs.1,281,861,510 includes Kshs.486,911,140 in respect of cash in transit whose analysis was not produced for audit verification. It was, therefore, not possible to confirm the correctness or existence of the amount of Kshs.486,910,140.

8.1.2 Although the cash books for Head Postmasters' and Headquarters' accounts reflected balances totalling Kshs.13,812,622,094, the Corporation in arriving at the Balance Sheet cash and bank figure of Kshs.1,281,510 took into account Kshs.483,754,280 in respect of

unreconciled bank statement balances for headquarters accounts. The figure of Kshs.1,281,861,510 is, therefore, understated by Kshs.13,328,867,814. The figure of Kshs.1,281,861,510 is further understated by Kshs.75,803,573 made up of Kshs.69,159,695 and Kshs.6,643,878 in respect of two bank balances which the Corporation operates abroad and which it excluded from its books of account. The Corporation has also not produced documents to support the foreign bank balance of Kshs.6,643,878.

8.1.3 The figure of Kshs.1,281,861,510 also includes Kshs.195,547,640 in respect of bank transfers. As the correspondence relating to these transfers as well as their analyses were not produced for audit verification, the correctness of Kshs.195,547,640 could not be ascertained.

8.1.4 A scrutiny of the bank reconciliation statements in respect of 13 bank accounts revealed that amounts totalling Kshs.569,773,119 were in respect of the receipts in the cash books for the period between January 1991 and June 1995 which had not been reflected by the bank statement by September 1996. Similarly amounts totalling Kshs.1,130,684,691 were in respect of receipts for the period between September 1986 and June 1995 which had been reflected in the bank statements for 16 bank accounts and which had not been entered in the cash books by September, 1996.

Other payments totalling Kshs.3,515,981,448 for the period between October 1988 and June 1995 reflected by bank statements of 19 bank accounts had not been entered in the cash books by September 1996 and could not be vouched because they were not supported by bank advices and/or the Corporation's letters authorising their payments.

8.1.5 The Corporation was noted to have omitted amounts totalling Kshs.2,383,112,483 while computing the Balance Sheet Overdraft figure of Kshs.452,976,920 on nine of its bank accounts.

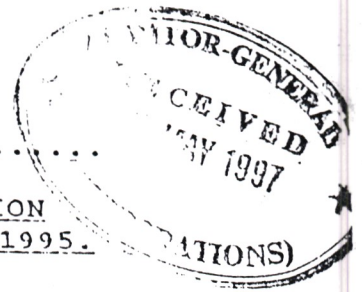
8.1.6 Arising from the foregoing, it was not possible to confirm the correctness of the cash and bank balances figure of Kshs.1,281,861,510 and the overdraft of Kshs.452,976,920.



W.K. KEMEI
AUDITOR-GENERAL(CORPORATIONS)

6th August 1997

KENYA POSTS AND TELECOMMUNICATIONS CORPORATION
ANNUAL ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 1995.



1. PREAMBLE

- 1.1 The year 1994/95 was a good year for Kenya Posts and Telecommunications Corporation. We experienced favourable growth in Revenue and our financial position was stable. This good performance is not only attributable to favourable economic conditions which prevailed during the year but also to the increase in tariffs which was effected in April 1994.
- 1.2 Global economic performance was more favourable in 1994, especially in the Organisation for Economic Co-operation and Development (OECD) countries. Their growth in output terms rose by 2.8 per cent in 1994, up from 1.1 per cent in 1993. This marked growth was widespread among all member countries which recorded growth rates of over 2 per cent.
- 1.3 On the domestic economic scene, in 1994, the Kenyan economy recorded a Cross Domestic Product (GDP) growth of 3 per cent compared to a revised GDP growth of 0.2 per cent in 1993. The economic recovery is attributed to firstly good weather which resulted in a good crop harvest compared to 1993 and secondly the implementation of appropriate macro-economic reforms, such as tight monetary policy, liberalisation of the foreign exchange and trade regimes, deregulation of cereal marketing activity and lately the deregulation of the petroleum industry. These measures coupled with the appreciation of the shilling resulted in:-

* a decline in the annual inflation rate from 46 per cent in 1993 to 28.8 per cent in 1994.

* a drop in treasury bill yield from 70 per cent in 1993 to 14 per cent in 1994.

* commercial bank interest rates falling by over 8 per cent points in 1994 over 1993.

All the above developments stand in marked contrast to the economic performance in 1993, which was characterised by excessive money supply, high inflation, massive depreciation of the shilling and low aggregate domestic demand.

1.4 Consequent upon conditions alluded to above under which KPTC operated during the Financial Year, operating turnover increased by Kshs.1,059 million or 6.9 per cent to Kshs.16,404 million in 1994/95. This compares with an increase of only 1.3% recorded in 1993/94. However, the growth in revenue was outstripped by the growth in Operating expenditure which increased by 31.4 per cent to Kshs.10,959 million in 1994/95 compared to Kshs. 8,341 million registered in 1993/94. Significant growth in operating expenditure was witnessed in Conveyance of mails, International services, Administration, operational and miscellaneous expenses. The increase in operating expenditure is attributable to the effect of salary review which was effected in 1994 and the depreciation of the Kenya Shilling in the last half of the Financial Year.

The resultant operating surplus decreased from Kshs.7,003 Million in 1993/94 to Kshs. 5,444 million in 1994/95. Similarly, Net surplus before tax declined to Kshs. 1,176 million in 1994/95 compared to Kshs.9,220 million recorded in 1993/94.

2 STATUTORY PROVISIONS

2.1 Audit

Section 31 of the Exchequer and Audit Amendment Act Cap.412 of the Laws of Kenya, requires all Parastatals, KP&TC included, to prepare and submit Annual Accounts to the Auditor General (Corporations) by 31st October each year.

2.2 Commercial Principles.

Section 100 (1) of KPTC Act Cap.411 Laws of Kenya requires the Corporation to conduct its business according to commercial principles in such a way that its gross revenue is sufficient to meet outgoings which are properly chargeable to revenue account including proper allocations to the general reserve and provision in respect of depreciation of capital assets, pension liability, interest and other provisions for payment of loans.

2.3 Annual Rate of Return.

In addition, the Act requires KP&TC to secure an annual return on the value of net fixed assets in operation of such a percentage as the Minister may direct from time to time.

3. ACCOUNTING POLICIES.

3.1 Basis of Accounting.

The accounts are prepared in accordance with the historical cost convention, which permits the inclusion of certain assets at valuation.

3.2 Interests.

Interest receivable is accounted for in the General Operating and Net Revenue Account as it accrues. Loan interest payable accruing during the construction of a project is capitalized as part of the project cost. Other interest payable is chargeable to General Operating and Net Revenue Account.

3.3 Turnover.

Turnover represents revenue accruing from the major services of KP&TC namely, Postal and Telecommunications.

3.4 Depreciation.

Depreciation on fixed assets is calculated to write off the cost or valuation to their estimated residual value over their useful lives by equal annual instalments. No provision is made on freehold land and additions during the year.

3.5 Stocks.

Stocks are stated at the weighted average costs.

3.6 Foreign currencies.

Assets and Liabilities denominated in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling on the Balance Sheet date.

Transactions in foreign currencies are translated into Kenya Shillings at rates of exchange ruling at the time of the transactions. Exchange losses arising during the period of construction are capitalized as part of the cost of the project. Other exchange gains and losses are charged to the General Operating and Net Revenue Account.

3.7 Apportionment of Expenditure.

Expenditure is normally directly allocated between Postal and Telecommunications Services. However, where direct allocation is not possible, such expenses are apportioned using appropriate ratios.

4. NOTES ON GENERAL OPERATING ACCOUNT.

4.1 REVENUE.

Operating turnover for the period rose by 6.9% over the preceding year to Kshs.16,404,382,930. The bulk of revenue came from Telecommunications Services and amounted to Kshs.15,147,130,510 or 92.3% . Postal and Agency Services, generated Kshs. 1,257,252,420 or 7.7%. A detailed analysis of revenue is shown on Statement No.2.

4.2 EXPENDITURE.

Operating expenditure amounted to Kshs. 10,959,557,830 compared to Kshs.8,341,348,100 in the previous year, an increase of 31.4%

4.2.1 Administration Kshs.1,779,703,650.

This represents an increase of 21.8% over the previous year.

4.2.2 Operational Kshs. 1,921,900,600.

This reflects an increase of 18.4% over the previous year.

4.2.3 Conveyance of Mails - Kshs.220,165,760.

This reflects an increase of 231.6% over the previous year.

4.2.4 International Services Kshs. 1,847,335,980.

This constitutes payments to foreign administrations on both telecommunications and postal traffic incorporating exchange losses/gains in respect thereof. The expenditure increased by 79.2%

4.2.5 Rentals Kshs. 120,357,570.

This represents a marginal decrease of 6.3% over the previous year.

4.2.6 Maintenance - Kshs.1,006,452,640.

The maintenance of plant and buildings increased marginally by 11.3% over the previous year.

4.2.7 Training - Kshs.323,940,250.

This expenditure increased by 31.1% because of emphasis on staff capacity building so as to cope with the increased responsibilities after retrenchment.

4.2.8 Miscellaneous Expenditure: Kshs. 929,639,570.

This represents an increase of 146.5% and is accounted for thus:-

	K.SHS.
Public Relations	166,547,800
Water/electricity	141,754,310
Repairs of Office equipment and furniture	19,171,440
Sports	36,668,050
Pension Gratuity	558,097,860
Others	7,400,110
T O T A L	----- 929,639,570 =====

4.2.9 Provision for Depreciation Kshs. 1,800,081,330.

This reflects an increase of 11.6% arising out of normal growth in Fixed Assets.

4.2.10 Provision for Pension Liability - Kshs.361,359,820.

This reflects an increase of 24.4% over the previous year.

4.2.11 Other Provisions Kshs. 207,596,420.

This represents provisions for the following items:

	KSHS.
Provision for provident fund	3,763,220
Provision for stock obsolescence	138,197,570
Provision for bad & doubtful debts	65,635,630
T O T A L	<u>207,596,420</u>

4.2.12 KCCT AND GTI - Kshs.441,024,240.

This represents operating expenditure for KCCT and CTI broken down as follows:-

	KSHS.
KCCT	240,884,900
CTI	200,139,340
T O T A L	<u>441,024,240</u> =====

4.2.13 Non-Operational Expenditure - Other Charges - Kshs.287,775,490.

	KSHS.
Intelsat	3,794,330
Indirect Cost Statement Charges	16,016,340
Cable-System Exchange Adjustments	162,617,250
Cable Investment Depreciation	58,135,260
Bad Debts and Shortages Written-off	43,085,590
Others	4,126,720
T O T A L	<u>287,775,490</u> =====

4.3 Non-Operating Revenue: Kshs. 791,511,450.

	KSHS.
Intelsat	94,151,870
Interest on Deposits	-
Liberalization	495,026,950
K C C T	21,400,270
G T I	18,225,550
Others	162,706,810

T O T A L	791,511,450 =====

4.4 SURPLUS

An operating surplus of Shs. 5,444,825,100 representing 33.2% of turnover was realised during the year. The net surplus after accounting for non-operating charges and non-operating revenue amounted to Shs.1,176,747,450 or 7.2% of turnover. Unrealised gains on translation of loan balances amounted to Kshs.1,709,103,330.

4.5 RATE OF RETURN.

The rate of return, based on operating surplus and net fixed assets in operation, approximated 17.2%.

5. NOTES ON THE BALANCE SHEET.

5.1 Analysis of fixed assets (land and building, plant, motor vehicles, furniture and office equipment) together with accumulated depreciation is shown on Statement No.1.

5.2 INVESTMENTS - Kshs. 1,293,404,360.

5.2.1 Trade Investments - Kshs.595,357,000.

Investments represent the corporation's share in Intelsat, Sea-Me-We, A.I.S Cable System, Rascom, Kenya Postel Directories Limited and Consolidated Bank of Kenya Limited. As at 30th June, 1995 the corporation's investments other than pension liability fund stood at Kshs.595,357,000 broken down as follows:

	KSHS.
Intelsat	312,976,090
Sea-Me-We	158,518,510
A.I.S cables	34,612,400
Rascom	8,250,000
Kenya Postel Directories	9,200,000
Consolidated Bank Of Kenya	71,800,000

T O T A L	595,357,000

5.2.2 Pension Liability Fund Investment - Kshs. 698,047,360.

Pension Fund investments are held in Government Stocks, Treasury Bonds and fixed deposits with banks and financial institutions.

5.3 CURRENT ASSETS.

5.3.1 Stocks - Kshs.7,283,271,900.

	KSHS.
Capital projects Planned Works	6,539,865,760
Furniture and Office Equipment	115,610,620
G.T.I	423,933,540
K.C.C.T	11,904,040
Consumable Stores	403,734,780

	7,495,048,740
Less: Provision for Obsolescence	211,776,840

	7,283,271,900
	=====

5.3.2 Service Debtors - Kshs.18,506,739,580.

	KSHS.
Service debtors	19,065,389,300
Less: Provision for bad & doubtful debts	558,649,720

	18,506,739,580

5.3.3 Short-Term Deposits - Kshs. 473,327,270.

	KSHS.
Short term deposits	606,516,940
Less: provision for bad & doubtful debts	133,189,670

All under Lien	473,327,270

5.4 CURRENT LIABILITIES.

5.4.1 Service Creditors - Kshs. 7,721,689,240.

These are mainly for international services
(Telecommunication and Postal), Money Orders in transit
and deposits for provision of the services broken down as
follows:-

	KSHS.
International Services	6,896,907,300
Customer's Deposits	285,357,570
Money and Postal Orders	125,250,780
Conveyance of Mails	334,138,260
Others	70,035,330
T O T A L	----- 7,721,689,240 -----

5.4.2 Other Creditors - Kshs.22,162,194,400.

	KSHS.
Loans:	
Interest and Management Charges	7,243,152,090
Current Redemption Maturities	3,029,160,980
Redemption Arrears	5,032,917,510
Suppliers	580,848,150
Kenya Post Office Savings Bank	187,558,560
Statutory	5,712,912,760
Others	375,644,259
T O T A L	----- 22,162,194,400 -----

5.5 NET CURRENT ASSETS.

The Current Liabilities exceed Current Assets by
Kshs.(250,725,000).

5.6 GRANTS.- KSHS. 85,133,870.

This amount consists of an initial conversion grant of
KShs.1,433,590 from Government of Kenya. The balance
of Shs.83,700,280 is from German Government.

5.7 RESERVES - Kshs. 13,786,309,030.

These together with grants form the Corporation's Equity. The balance incorporates effects of revaluation of KP&TC fixed assets as detailed in Statement No.4.

5.8 LOANS KSHS. 22,865,616,570.

The long term loan balance comprise of the following:-

	KSHS.
COK On - Lent Loans	12,514,776,880
COK Guaranteed Loans	6,211,899,550
Commercial Loans	4,138,940,140
T O T A L	<u>22,865,616,570</u>

5.9 INTER-BUSINESS BALANCES.

This reflects the extent to which telecommunications services has subsidised Postal Services.

KENYA POSTS AND TELECOMMUNICATION CORPORATION

NET OPERATING AND NET REVENUE ACCOUNT FOR THE YEAR ENDED 30TH, JUNE 1995.

1993/94				1994/95		
POSTAL	TELECOMMS	KPTC		POSTAL	TELECOMMS	KPTC
KSHs	KSHs	KSHs		KSHs	KSHs	KSHs
			OPERATING REVENUE: 4.1			
822,134,720	-	822,134,720	Postal and Remittance	1,224,351,940	-	1,224,351,940
-	13,910,230,760	13,910,230,760	Telephone	-	14,529,108,030	14,529,108,030
-	581,490,420	581,490,420	Telegraph and Telex	-	618,022,480	618,022,480
31,448,550	-	31,448,550	Agency Service	32,900,480	-	32,900,480
853,583,270	14,491,721,180	15,345,304,450	TOTAL	1,257,252,420	15,147,130,510	16,404,382,930
			OPERATING EXPENDITURE: 4.2			
365,322,060	1,095,966,200	1,461,288,260	Administration	533,911,090	1,245,792,560	1,779,703,650
649,080,230	973,620,340	1,622,700,570	Operational	768,760,240	1,153,140,360	1,921,900,600
66,394,470	-	66,394,470	conveyance of Mails	220,165,760	-	220,165,760
-	1,031,066,000	1,031,066,000	International Services	19,906,310	1,827,429,670	1,847,335,980
32,117,750	96,353,260	128,471,010	Rental	36,107,270	84,250,300	120,357,570
26,925,360	876,942,480	903,867,840	Maintenance	59,529,020	946,923,620	1,006,452,640
61,785,660	185,356,990	247,142,650	Training	97,182,070	226,758,180	323,940,250
94,282,180	282,846,550	377,128,730	Miscellaneous	278,891,870	650,747,700	929,639,570
39,410,680	1,573,496,840	1,612,907,520	Provision for Depreciation	61,735,850	1,738,345,480	1,800,081,330
72,618,270	217,854,820	290,473,090	Provision for Pension Liability	108,407,950	252,951,870	361,359,820
28,013,100	189,203,230	217,216,330	Other Provisions	7,063,340	200,533,080	207,596,420
48,140,140	144,420,430	192,560,570	KCCT	72,265,470	168,619,430	240,884,900
-	190,131,060	190,131,060	GTI	-	200,139,340	200,139,340
1,484,089,900	6,857,258,200	8,341,348,100	TOTAL	2,263,926,240	8,695,631,590	10,959,557,830
(630,506,630)	7,634,462,980	7,003,956,350	Operating Surplus/(Deficit)	(1,006,673,820)	6,451,498,920	5,444,825,100
			NON-OPERATING EXPENDITURE:			
			Loan Charges:			
-	1,769,398,590	1,769,398,590	Interest and management	-	3,062,710,280	3,062,710,280
-	(3,912,610,790)	(3,912,610,790)	Exchange loss/(gain)		1,709,103,330	1,709,103,330
-	(2,143,212,200)	(2,143,212,200)		-	4,771,813,610	4,771,813,610
127,669,070	383,007,200	510,676,270	Other Charges	86,332,650	201,442,840	287,775,490
127,669,070	(1,760,205,000)	(1,632,535,930)	TOTAL	86,332,650	4,973,256,450	5,059,589,100
146,058,750	438,176,230	584,234,980	Add: Non-Operating Revenue 4.3	237,453,430	554,058,020	791,511,450
(612,116,950)	9,832,844,210	9,220,727,260	Net Surplus/(Deficit) 4.4	(855,553,040)	2,032,300,490	1,176,747,450
-	-	-	Taxation	-	411,861,600	411,861,600
(612,116,950)	9,832,844,210	9,220,727,260	Net Surplus/(Deficit) after tax	(855,553,040)	1,620,438,890	764,885,850

KENYA POSTS AND TELECOMMUNICATIONS CORPORATION
BALANCE SHEET AS AT 30TH JUNE, 1995

1993/94			Notes:	1994/95		
POSTAL	TELECOMMS	KPTC		POSTAL	TELECOMMS	KPTC
KSHS	KSHS	KSHS		KSHS	KSHS	KSHS
			Fixed Assets			
1,661,806,280	3,877,547,980	5,539,354,260	5.1 Land and Buildings	1,542,924,450	3,952,243,810	5,495,168,260
-	24,401,473,840	24,401,473,840	Plant and Machinery	0	25,231,621,870	25,231,621,870
75,562,930	226,688,800	302,251,730	Motor Vehicles	135,219,430	327,989,670	463,209,100
76,186,910	228,560,720	304,747,630	Furniture and Office Equipment	123,664,950	294,298,400	417,963,350
1,813,556,120	28,734,271,340	30,547,827,460	Net Fixed Assets in Operations	1,801,808,830	29,806,153,750	31,607,967,580
283,857,290	5,759,320,530	6,043,177,820	Capital Work in Progress	555,795,800	5,875,070,160	6,430,815,960
-	593,096,940	593,096,940	Investments			
228,447,800	685,343,400	913,791,200	5.2 Trade	178,607,100	416,749,900	595,357,000
			Pension Fund	209,414,210	488,633,150	698,047,360
228,447,800	1,278,440,340	1,506,888,140		388,021,310	905,383,050	1,293,404,360
14,756,340	7,949,374,340	7,996,130,680	Current Assets			
527,452,060	15,963,511,080	16,490,963,140	5.3 Stocks	83,855,990	7,199,415,910	7,283,271,900
268,693,440	1,097,652,330	1,366,345,770	Debtors			
76,339,130	229,017,390	305,356,520	Service	634,112,710	17,872,626,870	18,506,739,580
67,534,350	1,138,436,160	1,205,970,510	Other	448,534,190	2,086,401,110	2,534,935,300
			Deposits	159,211,750	314,115,520	473,327,270
986,775,320	26,377,991,300	27,364,766,620	Cash and Bank	430,197,820	851,663,690	1,281,861,510
440,272,760	6,449,997,380	6,890,270,140		1,755,912,460	28,324,223,100	30,080,135,560
1,094,267,750	14,890,136,580	15,984,404,330	Current Liabilities			
-	134,208,620	134,208,620	5.4 Creditors			
1,534,540,510	21,474,342,580	23,008,883,090	Service	535,096,750	7,186,592,490	7,721,689,240
(547,765,190)	4,903,648,720	4,355,883,530	Other	455,242,280	21,706,952,120	22,162,194,400
1,778,096,020	40,675,680,930	42,453,776,950	Overdraft	-	452,976,920	452,976,920
				990,339,030	29,346,521,530	30,336,860,560
			Net Current Assets	765,573,430	(1,022,298,430)	(256,725,000)
			ASSET EMPLOYED	3,511,199,370	35,976,120,130	39,075,457,900
			FINANCED BY:			
501,750	84,632,120	85,133,870	5.6 Grants	501,750	84,632,120	85,133,870
631,281,230	9,890,072,660	10,521,353,890	5.7 Revaluation Reserve	631,281,230	9,890,072,660	10,521,353,890
196,461,810	4,715,083,520	4,911,545,330	5.7 General Reserve	(1,382,534,038)	4,647,489,178	3,264,955,140
828,244,790	14,689,788,300	15,518,033,090	Owners Equity	(750,751,058)	14,622,193,958	13,871,442,900
-	24,651,088,220	24,651,088,220	Loans	-	22,865,616,570	22,865,616,570
571,163,910	1,713,491,730	2,284,655,640	Pension and Provident Funds	701,519,530	1,636,878,900	2,338,398,430
378,687,320	(378,687,320)	-	Inter-Business Balances	3,535,392,490	(3,535,392,490)	-
1,778,096,020	40,675,680,930	42,453,776,950		3,486,160,962	35,589,296,938	39,075,457,900

JAN-K. MUTAI
MANAGING DIRECTOR

J.C. OMIYO
GENERAL MANAGER FINANCE AND ACCOUNTS

KENYA POSTS AND TELECOMMUNICATIONS CORPORATION
STATEMENT OF SOURCES AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30TH JUNE, 1995

	1994/95 KShs	1993/94 KShs
SOURCES OF FUNDS		
FROM OPERATIONS:		
Net Surplus	764,885,840	9,220,727,260
Adjustment For Items Not Involving Movement Of Funds:		
Depreciation	-	-
(surplus)/Loss on sale of Fixed Assets	1,914,968,820	1,791,249,680
Gain/(Loss) on Exchange-Cable Systems	27,310	(5,482,840)
Exchange Differences-Loan Capital	19,829,340	178,442,760
Provision for taxation	1,708,268,600	(4,265,204,400)
	411,861,600	-
TOTAL FUNDS GENERATED FROM OPERATIONS	4,819,841,510	6,919,732,460
OTHER SOURCES		
Proceeds on disposal of Fixed Assets	1,060,400	17,766,670
Loans:Drawing	214,124,890	2,479,747,860
Capitalised Exchange Differences	337,750,310	-
Investment Refunds/Adjustments(Cable Systems)	44,004,120	153,152,060
Pension Liability Funds	365,353,040	283,390,120
Net General Reserve Adjustment	-	1,128,891,490
TOTAL OTHER SOURCES	962,292,760	4,062,948,200
TOTAL SOURCES OF FUNDS	5,782,134,270	10,982,680,660
APPLICATION OF FUNDS		
Purchase/Construction of Fixed Assets	3,185,152,570	4,165,071,130
Investments in:Cable Systems	84,570,100	112,445,820
Shares	-	92,250,000
Pension Liability Funds	-	373,703,230
Pension Funds Payment	390,684,220	-
Loan Balances:Redemption	2,778,562,690	3,303,901,800
Transfer to Current	1,376,588,330	59,822,010
GTL Capital Expenditure	9,903,230	182,172,520
KCCT Capital Expenditure	157,805,630	8,338,150
Net General Reserve	2,411,476,030	-
TOTAL APPLICATION OF FUNDS	10,394,742,800	8,297,704,660
NET INFLOW/(OUTFLOW)OF FUNDS	(4,612,608,530)	2,684,976,000
MOVEMENT IN WORKING CAPITAL		
Stocks	(712,858,780)	984,316,850
Service Debtors	2,015,776,440	2,959,698,780
Other debtors	1,168,589,530	(333,586,840)
Service Creditors	(831,419,100)	(25,189,120)
Other creditors	(6,177,790,070)	(1,995,641,330)
Movement in liquid Assets:		
Short-Term Deposits	167,970,750	(83,300,770)
Cash and Bank Balances	75,891,000	898,682,320
Bank Overdraft	(318,768,300)	279,996,110
	(4,612,608,530)	2,684,976,000

STATEMENT 4

ANALYSIS OF RESERVES

	GENERAL RESERVE SHS.	ASSET REVALUATION RESERVE SHS.	TOTAL SHS.
Balance at 1st July, 1994	4,911,545,330	10,521,353,890	15,432,899,220
Retained Surplus for Year	764,885,840	-	764,885,840
Net Prior Year Adjustments	(2,411,476,030)	-	(2,411,476,030)
Balance at 30th June, 1995.	3,264,955,140	10,521,353,890	13,786,309,030

STATEMENT 2
ANALYSIS OF REVENUE

	1994/95 Kshs.	1993/94 Kshs.	GROWTH %
POSTAL AND REMITTANCE:			
Sale of stamps (ICPC)	464,070,340	382,576,400	21.36
Postage paid in Bulk	262,696,050	188,576,070	39.45
Foreign Administrations	220,117,020	43,200,240	409.53
Money Order Commission	116,658,930	95,995,500	21.53
Postal Order Commission	-	-	-
Box/Bag Rentals	103,854,600	74,416,200	39.56
E.M.S. Speedpost	43,014,420	28,925,080	48.71
Miscellaneous	13,940,600	8,845,230	57.61
TOTAL	1,224,351,940	822,134,720	48.92
TELEPHONE:			
Exchange Rentals	801,658,210	456,519,870	75.60
Private Circuit Rentals	120,309,770	83,829,440	43.52
Domestic Call Charges :			
Untimed Calls	6,439,013,060	3,707,024,130	73.70
Trunk and Timed Calls	310,007,240	95,524,520	224.53
Phonogram-inland	30,298,870	10	-
Phonogram-foreign	816,610	2,230,420	(63.39)
Connection Charges	89,499,890	85,032,870	5.25
International Calls - outgoing	2,670,506,870	6,481,573,250	(58.80)
- incoming	3,375,050,020	2,519,136,800	33.98
Value Added Services:			
Public Telephone Service	347,835,210	292,883,380	18.76
Mobile Telephone Service	154,090,470	107,955,470	42.74
Kerpac	142,957,790	76,831,150	86.07
Bureau	13,054,960	-	-
AT&T Easylink VSS Service	4,949,810	-	-
Miscellaneous	28,059,250	1,739,450	1,513.11
Total	14,529,108,030	13,910,230,760	4.45
TELEX:			
Rentals	36,060,540	36,181,590	(45.51)
Domestic call charges	49,903,540	11,414,790	337.18
Connection charges	428,900	557,110	(23.01)
Inland and foreign printgrams	6,236,670	8,961,130	(30.40)
International Calls - outgoing	163,582,700	299,882,140	(45.45)
- incoming	97,313,330	66,119,140	47.18
Value Added Services:			
Public Telex	-	-	-
Miscellaneous	471,480	954,120	(50.58)
TOTAL	353,997,160	454,070,020	(22.04)
TELEGRAPHS:			
Inland and Foreign Telegrams	23,939,770	23,003,460	4.07
Central Telegraph Office	-	-	-
Pager	(129,720)	2,569,030	(105.05)
Radio Call	67,942,950	1,024,960	6,528.84
Private Circuit Rentals	100,080,040	6,770,600	1,378.16
Radio Transmitting Licences	32,680,230	28,669,390	13.99
International Services - Incoming	38,564,100	67,382,940	(41.02)
Miscellaneous	947,920	-	-
TOTAL	264,025,320	127,420,400	107.21
TOTAL TELECOMM REVENUE	15,147,130,510	14,491,721,180	4.52
AGENCY SERVICES:			
KPOSB	20,338,180	30,333,040	(32.95)
Customs and Excise	4,582,730	855,220	435.85
Miscellaneous	7,979,570	260,290	2,965.65
Total Agency Revenue	32,900,480	31,448,550	4.62
Total Operating Revenue	16,404,382,930	15,345,304,450	6.90
Non - Operational Revenue	791,511,450	584,234,980	35.48
TOTAL REVENUE	17,195,894,380	15,929,539,430	7.95

STATEMENT 3
ANALYSIS OF CURRENT ASSETS
KSHs

	1994/95	1993/94
STOCKS:		
Less: Provision for Obsolescence	7,495,048,740	8,069,709,950
Total	211,776,840	73,579,270
DEBTORS		
SERVICE		
POSTAL:		
Sale of stamps	833,880	2,348,340
Foreign administration	504,600,700	376,199,390
EMS	17,049,010	14,394,630
Total	522,483,590	392,942,360
DOMESTIC TELEPHONE:		
Private	3,487,858,860	2,321,966,690
Government	3,251,773,140	1,618,710,590
Total	6,739,632,000	3,940,677,280
INTERNATIONAL (OUTGOING) TELEPHONE:		
Private	1,576,156,140	2,133,018,410
Government	176,838,700	1,651,553,360
Total	1,752,994,840	3,784,571,770
INTERNATIONAL (INCOMING) TELEPHONE:		
Total TELEPHONE	8,665,445,340	7,589,042,790
DOMESTIC TELEX:		
Private	17,158,072,180	15,314,291,840
Government	69,763,380	20,350,430
Total	1,646,880	985,730
INTERNATIONAL (OUTGOING) TELEX:		
Private	71,410,260	21,336,160
Government	59,495,460	92,456,620
Total	3,797,580	4,478,410
INTERNATIONAL (INCOMING) TELEX:		
TOTAL TELEX	63,293,040	96,935,230
DOMESTIC TELEGRAPH:		
Private	702,413,020	697,098,370
Government	837,116,320	815,369,760
Total	52,835,020	46,668,640
INTERNATIONAL (INCOMING) TELEGRAPH:		
TOTAL TELEGRAPH	31,604,650	8,137,210
AGENCY	84,439,670	54,805,850
KPOSB	308,756,120	278,488,100
TOTAL SERVICE DEBTORS	393,195,790	333,293,950
Less: Provision for bad and doubtful debts	154,521,420	150,822,650
Total	19,065,789,300	17,006,720,560
OTHER DEBTORS		
Non-operational	558,649,720	515,757,420
Prepayments and receivables	18,506,739,580	16,490,963,140
Below The Line Account	320,003,270	682,598,750
Total Other Debtors	976,588,930	683,747,020
NET TOTAL DEBTORS	1,238,343,100	1,366,345,770
SHORT TERM DEPOSITS	2,534,935,300	1,366,345,770
Less: Provision for bad and doubtful debts	21,041,674,800	17,857,308,910
Net Short Term Deposits	606,516,940	415,802,850
CASH AND BANK BALANCES	133,189,670	110,446,340
TOTAL CURRENT ASSETS	473,327,270	305,356,510
	1,281,861,510	1,205,970,510
	30,080,135,560	27,364,766,610

STATEMENT 4

ANALYSIS OF RESERVES

	GENERAL RESERVE SHS.	ASSET REVALUATION RESERVE SHS.	TOTAL SHS.
Balance at 1st July, 1994	4,911,545,330	10,521,353,890	15,432,899,220
Retained Surplus for Year	764,885,840	-	764,885,840
Net Prior Year Adjustments	(2,411,476,030)	-	(2,411,476,030)
Balance at 30th June, 1995.	3,264,955,140	10,521,353,890	13,786,309,030

